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Message Text

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PAGE 01 THE HA 01929 270717 Z

14
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E. O. 11652: N/ A
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SUBJECT: IGGI-14: SUBJECTS FOR DISCUSSION

REF: A. HAGUE 1879 B. STATE 77435

SUMMARY
IN PREPARATION FOR MEETING IN EARLY MAY, WITTE (MFA) DRAWS ATTENTION TO NEED FOR SUBSTANTIVE DISCUSSION OF FOLLOWING SUBJECTS: CONTROL OF SHORT AND MEDIUM TERM BORROWING, UNTYING OF PROJECT AID FOR INDONESIAN PROCUREMENT, AND ROLE OF FOREIGN AND DOMESTIC PRIVATE INVESTMENT. USDEL' S PLANNED PARTICIPATION IN DISCUSSION OF THESE SUBJECTS WOULD BE OF INTEREST. END SUMMARY.

1. FOREMOST AMONG DUTCH CONCERNS OVER INDONESIAN AID APPEARS TO BE CONTROL OVER OBLIGATIONS ASSUMED BY PERTAMINA WHICH MAY BE IN EXCESS OF CEILING IN 1973 IMF STANDBY AGREEMENT. PERTAMINA SAID TO BE INTERESTED IN PURCHASES UNDER TEN- YEAR PAYMENT PLAN EXCEEDING STANDBY
CEILING, PARTICULARLY SHIPS. GON HOLDING FIRM AGAINST PRESSURE FROM DUTCH SHIPBUILDERS FOR GUARANTEE OF SUCH EXPORT, BUT DUTCH FEAR THAT SOME OTHER GOVERNMENT MAY NOT EXERCISE SUCH DEGREE OF RESTRAINT. OBJECTIVE OF IGGI DISCUSSION WOULD BE BOTH TO ELICIT HIGH LEVEL GOI SUPPORT FOR IMPLEMENTING CONTROLS ON BASIS OF EXISTING LEGISLATION AND TO INDUCE ALL IGGI MEMBERS TO LIMIT THEIR EXPORTERS'
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PAGE 02 THE HA 01929 270717 Z

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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ENTERING INTO SUCH ARRANGEMENTS WITH PERTAMINA. WITTE PLANS TO INTRODUCE THIS SUBJECT UNDER ITEM 7 A OF AGENDA AND HOPES FOR SERIOUS AND HELPFUL DISCUSSION.

2. OTHER SUBJECTS EXPECTED TO COME UP FOLLOW:
A. ROLE OF FOREIGN AND DOMESTIC PRIVATE INVESTMENT, ITEM 7 C OF AGENDA, IS RIPE FOR CONSIDERATION. WITTE FEELS ATTENTION SHOULD BE GIVEN BOTH TO FACILITATION OF FOREIGN INVESTMENT AND TO ENCOURAGEMENT
AND PROTECTION OF DOMESTIC INVESTMENT.
B. UNDER ITEM 5 GOI DEL EXPECTED TO BRING UP UNTYING OF PROJECT AID (UP TO 25 PERCENT) FOR PROCUREMENT IN INDONESIA. THEY APPARENTLY
WILL PRESS FOR DOMESTIC PROCUREMENT, WITHIN THAT PROPORTIONAL LIMIT, OF ITEMS WHICH ARE NOT MORE THAN 25 PERCENT HIGHER IN PRICE THAN IN
DONOR COUNTRY. GON FAVORS UNTYING IN THIS MANNER UP TO 15 PERCENT PRICE DIFFERENTIAL.
C. ITEM 7 B, AGRICULTURAL DEVELOPMENT AND PROCESSING OF PRODUCTS, WILL RECEIVE APPROPRIATE ATTENTION, BUT WITTE VIEWS THIS AS LESS IMPORTANT THAN OTHER SUBJECTS.

3. AS USUAL IN PREPARING FOR MEETINGS, CHAIRMAN WISHES TO PLAN AHEAD AS WELL AS POSSIBLE TO INSURE PROPER INTRODUCTION AND COVERAGE OF SUBJECTS AT HAND. BESIDES US, HE IS APPROACHING AUSTRALIANS, GERMANS, CANADIANS AND JAPANESE AS REPRESENTINGDELEGATIONS

MOST LIKELY TO ENGAGE IN SUBSTANTIVE TALKS.

4. IN RESPONSE TO OUR QUESTION ABOUT ARRANGEMENTS FOR FUTURE MEETINGS, WITTE OPINED THAT DECEMBER MEETING IS NECESSARY. HOWEVER, PLEDGING SESSION MIGHT IN HIS VIEW BE HELD IN DECEMBER AND SPRING MEETING DISPENSED WITH. HE ACKNOWLEDGED ON OTHER HAND THAT MEETING TWICE A YEAR INCREASES GOI EXPOSURE TO CONCERNS OF MEMBER GOVERNMENTS OVER GOI USE OF DEVELOPMENT ASSISTANCE. WITTE DOES NOT
PLAN TO TRY TO INFLUENCE DECISION AT THIS TIME.

5. IF USDEL IS PREPARED TO HELP INTRODUCE ANY OF ABOVE QUESTIONS OR TO DISCUSS THEM IN DEPTH, CHAIRMAN WOULD APPRECIATE RECEIVING WORD THROUGH EMBASSY.
MIDDENDORF

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